

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 96-394-C - ORDER NO. 97-290

APRIL 8, 1997

IN RE: Application of BellSouth Telecommuni- ) ORDER  
cations, Inc. for Approval of its Sale ) APPROVING  
of its Interests in Bell Communications ) SALE  
Research, Inc. )

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Application of BellSouth Telecommunications, Inc. (BellSouth or the Company) for approval of its sale of its interest in Bell Communications Research, Inc. (Bellcore) pursuant to S.C. Code Ann. Section 58-9-320 (1996), and the Rules and Regulations of the Commission.

By letter, the Commission's Executive Director instructed BellSouth to cause to be published a Notice of Filing in newspapers of general circulation in the areas affected by the Company's Application. The Notice of Filing indicated the nature of the Company's Application and advised all interested parties desiring participation in the scheduled proceeding of the manner and time in which to file the appropriate pleadings. The Company furnished affidavits demonstrating that the Notice was duly published in accordance with the instructions of the Executive Director. No Petitions to Intervene or Protests were received.

S.C. Code Ann. Section 58-9-310 (1976) states that no telephone utility, without the approval of the Commission after due hearing and compliance with all other existing requirements of the law of this State in relation thereto, shall sell, transfer, lease, consolidate or merge its property, powers, franchises or privileges or any of them. The Company has prefiled the testimony of Jerry L. Wilson, Senior Director in the Regulatory Division of the Company. We hold that the Commission meeting of March 18, 1997, constitutes the due hearing required by S.C. Code Ann. Section 58-9-310 (1976).

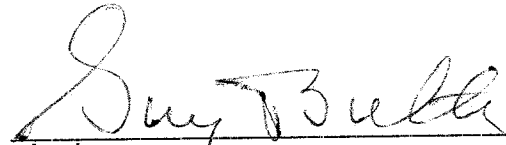
The testimony of Jerry L. Wilson is significant. Wilson noted that BellSouth presently owns one-seventh of Bellcore. The remaining six-sevenths of Bellcore is owned equally by the other six Regional Bell Companies (RBCs). Bellcore, according to Wilson, is being sold collectively by all seven of its present owners to a single purchaser, Science Applications International Corporation (SAIC). Wilson noted that Bellcore was initially formed at AT&T divestiture to carry forth certain common work functions previously done at AT&T headquarters on behalf of the Bell Operating Companies. This consortium approach made sense at the time, and that the newly formed RBCs started operations with substantially similar systems and methods and procedures that required common support. Bellcore enabled a sharing of costs for such support and related work. Wilson noted that although Bellcore's assistance and support had been outstanding over the past few years, the degree of commonality of the work desired by

Bellcore's seven owner clients has diminished, due to diverging business strategies. In addition, Bellcore's owners are increasingly becoming competitors of one another. Because of these conditions, BellSouth and the other RBCs have found it increasingly difficult to collectively own and operate Bellcore and at the same time to remain as Bellcore's largest customers. BellSouth and the other Bellcore owners, according to Wilson, would prefer to deal with Bellcore as a vendor/supplier and to have more ability to negotiate region specific work deliverables and/or proprietary work. According to Wilson, once sold, Bellcore will have increased flexibility in meeting the needs of its former owners, and in addition it will have additional flexibility in providing technical services for many new clients across the industry. Further, according to Wilson, BellSouth's ability to serve its South Carolina customers will not be jeopardized by the sale of Bellcore. BellSouth will continue to have access to the Bellcore service and support that it needs. This access has been pre-negotiated. Further, BellSouth's ratepayers will not be disadvantaged in any way by the sale of Bellcore. BellSouth's portion of the gain attributable to South Carolina operations due to the sale will be under \$1 million. BellSouth intends to book the gain in Account 7160, Other Operating Gains and Losses. Again, under the South Carolina Consumer Price Protection Plan, the sale will not impact the prices for services in South Carolina.

The Commission have examined this matter, and believes that BellSouth has stated good cause for the sale of Bellcore. Apparently, the seven Bell Operating Companies are becoming more competitive, and it does make more sense for them, including BellSouth, to be able to deal with Bellcore as an independent entity. The approval of the sale is therefore granted.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)